



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **COMMISSION ORDERS OVER \$9 MILLION FOR INVESTORS DEFRAUDED IN FACTORING PROGRAM, “INVESTMENT CLUB” AND MINING OPERATION**

PHOENIX – In multiple actions, the Arizona Corporation Commission today ordered several companies and their representatives to pay \$9.1 million in restitution to investors and \$122,500 in penalties to state coffers. Violations included failure to disclose vital information, fraudulently selling securities in a so-called “investment club” and selling unregistered stock and promissory notes in a Costa Rican mining operation.

### **Scottsdale Financial Funding, et al.**

The Commission took action against the following companies and individuals for fraudulently selling unregistered securities to over 100 Arizona investors, most of whom were seniors:

- Hayden K. Holland of Phoenix, 41
- Gregory Gill of Scottsdale, 51
- Tad Lynn Ulrich of Scottsdale, 38
- Wallace Butterworth of Phoenix, 70
- Scottsdale Financial Funding Group, LLC, of Scottsdale
- Martin & Griffin, LLC, Scottsdale
- Tad L. Ulrich and Associates, LLC of Scottsdale
- Senior Advisory Services, LLC of Florida

The Commission ordered Holland and Scottsdale Financial Funding to pay \$3,366,570 in restitution and assessed a penalty of \$25,000. Ulrich and Tad L. Ulrich and Associates are to pay \$4,719,452 in restitution and \$25,000 in penalties. Butterworth and his company are to pay \$820,757 in restitution and \$25,000 in penalties. Gill and his company, Martin & Griffin, are scheduled for a hearing on March 31, 2003.

The Commission found Scottsdale Financial Funding and Martin & Griffin used licensed insurance salesmen to offer and sell investment contracts. Through these contracts, investors' money would be used to fund the purchase and collection of corporate accounts receivable and nonperforming consumer debt known as "factoring" investments. A "factor" is a company or middleman who buys another company's corporate debts and accounts receivable at a discount, in exchange for the right to collect the full amount of the debt. In this case, investors were being recruited to provide capital for the factoring company with the promise of receiving monthly profits at a later date.

Beginning in December 1997 through November 2001, Holland's company, Scottsdale Financial Funding, promoted two factoring-type investment programs. One program offered membership interests in a series of companies called Credit Investors, LLC, which involved the purchase of nonperforming and consumer debt. The other investment program, sold through Martin & Griffin, involved factored receivables allegedly purchased from a Phoenix-based company, American Business Funding Group, Inc., which declared bankruptcy in February of 2000. The respondents continued to solicit investors through 2001.

Senior citizens and retirees were the primary targets of sales pitches by Ulrich and Butterworth. Retirees were invited to seminars and were targeted in ads that were placed in publications aimed at the senior audience. Ulrich and Butterworth were advertising and conducting seminars to attract investors to Scottsdale Financial Funding and Martin & Griffin's investment programs.

Besides failing to disclose the bankruptcy filing, the Commission found that the trio of promoters failed to inform investors of the principal of Martin & Griffin, Gregory Gill, was allegedly convicted for securities fraud. They also neglected to provide investors with any financial or other background information regarding the companies and their principals. In addition, the promoters never filed the Credit Investors, LLCs as limited liability companies with the Corporations Division of the Arizona Corporation Commission so the entities did not exist, except on paper.

The Securities Division found that investors were misled about the safety and nature of the investment. Investments such as these are extremely risky and may not be appropriate for an elderly investor. Some investors have indicated that they thought that they were purchasing bank certificates of deposit.

The Commission found that Ulrich used newspaper advertisements promising "CD alternatives" earning up to 8.5

percent. When prospective investors called in response to the ad, Ulrich placed them in Scottsdale Financial Funding or Martin & Griffin investment programs. When handing over their money, some investors still believed they were investing in certificates of deposit.

The Commission found that Butterworth used newspaper advertising to offer “free information workshops” for seniors and would later schedule meetings in individual investors’ homes where he would offer and sell “alternative investments” purported to have minimum risk and high-growth yield.

### **Turn Two Trading Club, Dennis Wayne Little and Deborah L. Sorensen**

The Commission entered a final order against a Higley couple for committing securities fraud and selling unregistered securities in connection with Turn Two Trading Club, an investment company operating under the guise of an investment club. Dennis Wayne Little, age 40 and Deborah L. Sorensen, age 42, agreed to stop day trading securities through their unincorporated entity and return over \$96,000 still owed to investors and pay a penalty of \$10,000. This penalty could be reduced to \$5,000 if the restitution payments are made according the terms of the order.

In an unusual twist, Little made an emotional appeal to the Commissioners during which he accepted full responsibility for his actions and stated his appreciation for the way the Commission treated his case. Respondents rarely speak during these meetings and almost never accept full responsibility for their actions.

As a result of an interim agreement approved by the Commission in December 2002, Little and Sorensen returned the \$1.6 million principal amount, less any investor withdrawals during the time of the investment, to the investors.

Only when the remaining restitution is paid will the respondents satisfy the Commission’s \$1.86 million restitution order. Once all the restitution is made, investors could realize a profit of approximately 8 percent on their investment.

In about February 2002, Little began day trading securities for approximately 400 family, friends and congregation members even though he was not registered to sell securities in Arizona. The Commission found that the couple represented that the investments earned 30 to 40 percent per month when in fact the funds were either earning substantially less or in some months showing a loss. The Commission also found that the couple

failed to place all investor funds in a day-trading account and instead used some of the money for club and personal expenses, including a down payment on a new truck and credit card payments.

### **Donald Ramey**

The Commission ordered Meracana Mining Corporation and 72-year-old Donald Ramey of Sierra Vista, former vice-president, director and secretary of Meracana Mining Corporation, to stop selling unregistered stock and promissory notes.

According to the Commission's order, the company and Ramey fraudulently sold unregistered securities to approximately 31 investors across the country. Over half of the investors lived in Arizona. The Commission ordered Ramey to pay \$136,439 back to investors along with penalties to the state of an assessed a penalty of \$7,500. The Commission issued separate orders in November 2002 against Meracana Mining and also its president, director and treasurer, Ronald Lee Keel.

The company purported to be raising money to start a gold mining operation in Costa Rica. The Commission discovered that over a six-year period, Meracana never started mining operations for gold in Costa Rica.

Most of the investors received a project report from Meracana touting an anticipated profit of \$24 million on one specific mining project. The report, however, did not disclose to investors the risks of mining in Costa Rica, the financial statements of the company or the costs to purchase or lease land for mining.

The report included a statement that the Costa Rican Department of Geology and Mines had certified a specific quantity of proven gold reserves on land where Meracana had the right to mine. The Commission found that in reality, however, the Costa Rican government had merely accepted the estimated quantity of gold reserves as reported by a geologist hired by Meracana.

Ramey owns a separate, unrelated business that he is reportedly trying to sell. The Commissioners were prepared to take action on this case back in November 2002 but asked the staff to add a condition that could bring speedier restitution to investors if Ramey sells all or part of his business or its assets.

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